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SUMMARY

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PUBLIC PLANNING AND PRIVATE DECISION-MAKING IN ECONOMIC AND SOCIAL DEVELOPMENT

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PUBLIC PLANNING AND PRIVATE DECISION-MAKING IN ECONOMIC AND SOCIAL DEVELOPMENT

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SUMMARY

1. All modern economic systems combine government planning and private decision-making, though their relative extent and significance vary widely depending upon the nature of the society's institutions and relationships. Today, virtually all the less-developed countries are explicitly or implicitly committed to a significant measure of private decision-making as an essential complement to the planning activities of the central government.

2. The governments of the less-developed countries of Africa, Asia and Latin America are attempting to perform three main functions in seeking to accelerate economic and social advancement. The first is national development planning--broadly defined as choosing the goals of the national development effort; estimating and mobilizing the necessary domestic and foreign resources of money and skills; and allocating or guiding them to those specific uses which seem likely to make the greatest contributions to achieving the national goals. The second function is to initiate those investments and manage those activities comprising the public sector of the economy, which may include only essential governmental services, but in most less-developed countries covers a much wider range of projects and programs important for the national development goals. The third function is to stimulate, channel and assist private initiative and activities so that they contribute effectively to the country's economic and social advancement.

3. In most of the less-developed countries, the governments do not have the trained supervisory personnel, the technical skills, and the financial resources necessary to replace all significant privately-conducted activities by central planning and government operation of the entire economy. The less developed the country, the less it can afford to neglect the potential resources that could be activated only voluntarily in decentralized, nongovernmental forms.

4. The governments of the less-developed countries need to insure that the programs and projects comprising the public sector are realistically capable of providing the infrastructure, social capital, and other public investments required for achieving the national development plan. Reliable estimates have to be made of the indigenous and foreign resources, financial and human, necessary for the public investments specified in the plan, and these in turn need to be reconciled with the requirements of the private sector. Certain strategic investments in the private sector also have to be programmed, while for the collateral private investments -- often covering the bulk of private economic activity -- general estimates of resource requirements usually suffice.

Projections of the main quantitative measures of the economy -- called national economic projections -- are an indispensible tool of development planning, both in the choice of realistic goals and in reconciling claims with prospective availabilities of resources.

5. A development plan remains a mere exercise in arithmetic unless the fiscal and monetary policies, the wage and price policies, the import and export policies, and all other relevant means available to the government are used for implementing it. Incentives need to be provided for encouraging private enterprises voluntarily to make decisions conducive to achieving the goals of the national development effort. A development plan is meaningful only to the extent that the estimates for the private sector are not merely statements of hoped-for actions, which would be consistent with the objectives of the plan, but that available means are used for harmonizing the actions of private decision-makers with the requirements of the development goals. Active participation of private enterprises in national development planning helps to commit the private sector voluntarily to the achievement of national goals and makes the development process more efficient.

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